There's Always A Bull Market Somewhere…

There's a lot happening. I'm busy working on a number of larger write-ups, specifically a follow-up piece to my Russia-Ukraine take along with a deep dive into what I see going forward over the next 12-18 months in the broader macrosphere.

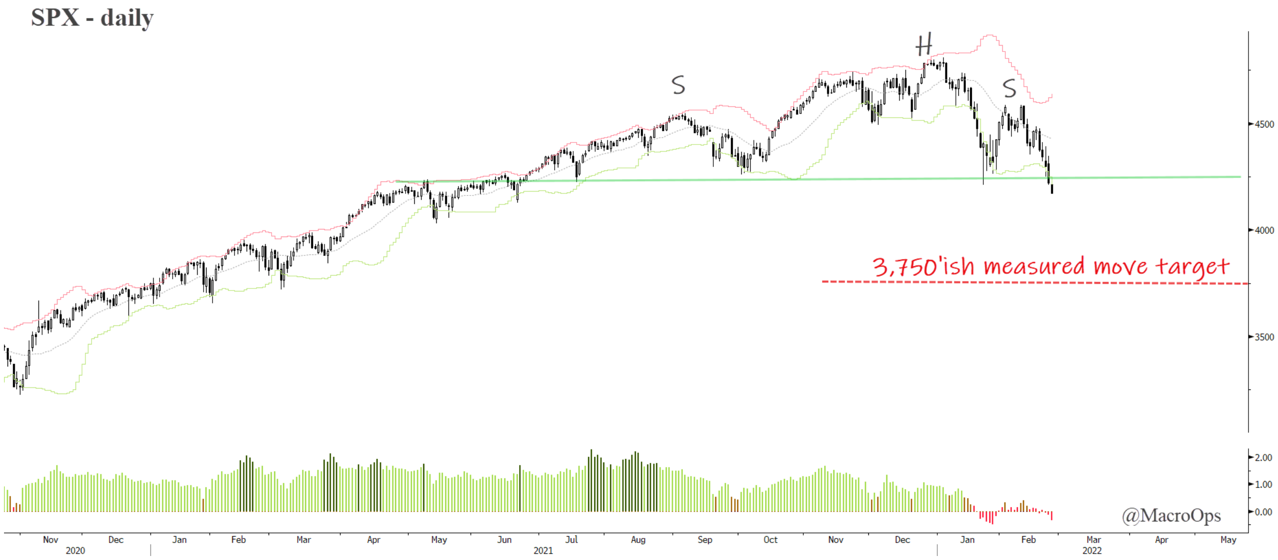
But it's like Cheyenne Frontier Days out there in markets right now. And with the SPX closing below key support today, I wanted to dash off a quick note to share my thoughts on the risks as well as the current opportunities we're seeing.

Starting with the SPX.

It closed below the neckline of the 8-month H&S topping pattern we've been tracking for the last few months. It's deeply oversold over the short-term, sentiment is pretty bad, but this isn't a chart you want to buy.

Failure to quickly reverse in the next few days means we're moving into full-on liquidation mode and we should expect a bucking ride down to the measured move target of 3,750. This will cause some fund blowups (looking at you Cathie!) and will create a great buying opportunity as forced liquidations tend to do…

Be patient and wait for the signs (bottoming technicals, breadth thrust confirmation, and a turn in credit).



Putin's Russia is currently invading Ukraine, as I said they would last week. There's no telling exactly how this will play out and by how much it will escalate. But make no doubt about it, this is nothing like the annexation of Crimea. This is a BIG deal and I'll be talking more about this in my report in the coming days.

With that said, this is not what's been driving the selloff year-to-date, as I've seen many lame market pundits claim.

It is, and always has been, about the Fed, sticky high inflation, and the backend of a massive credit impulse.

You can test this… Tomorrow, when the market is open, open your Bloomberg or whatever charting platform you use. Punch in ARKK or BTCUSD or Qs or whatever…make sure the room is really quiet… and then put your ear right up to the screen, and you'll hear a growing sucking noise. That's the sound of liquidity getting pulled out the bottom of a richly valued market. That's where the volatility is coming from.

This chart of Qs versus the DAX proves the point. Though, I suspect this will change in the coming days as Putin's invasion accelerates (this is why we added a short DAX position earlier this week).

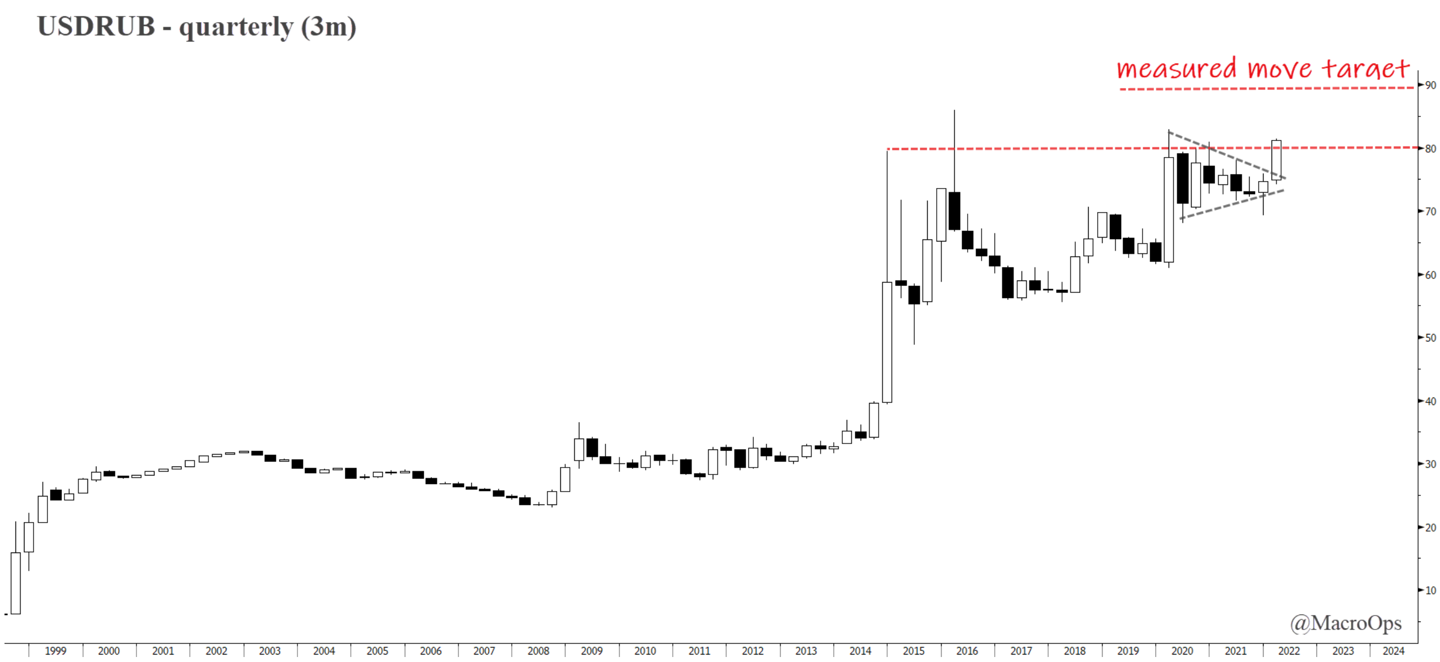
A few clients have asked me about buying Russian assets here, on the idea that "Buy the invasion…" usually works.

While I agree that geopolitical hysteria is typically a good fade as it's usually something that's given way too much weight by talking heads. Which is no doubt due to the fact that war is a lot more compelling than PMIs coming in a bit softer than expected, though it's the latter that typically matters a lot more.

However, that thinking is being WAY too simplistic here. Russia is looking to reorg the European map in a significant way. A way which we haven't seen since World War 2. **The cone of probabilities** has been blown wide open by this. So, yeah, I'd say too early on that trade.

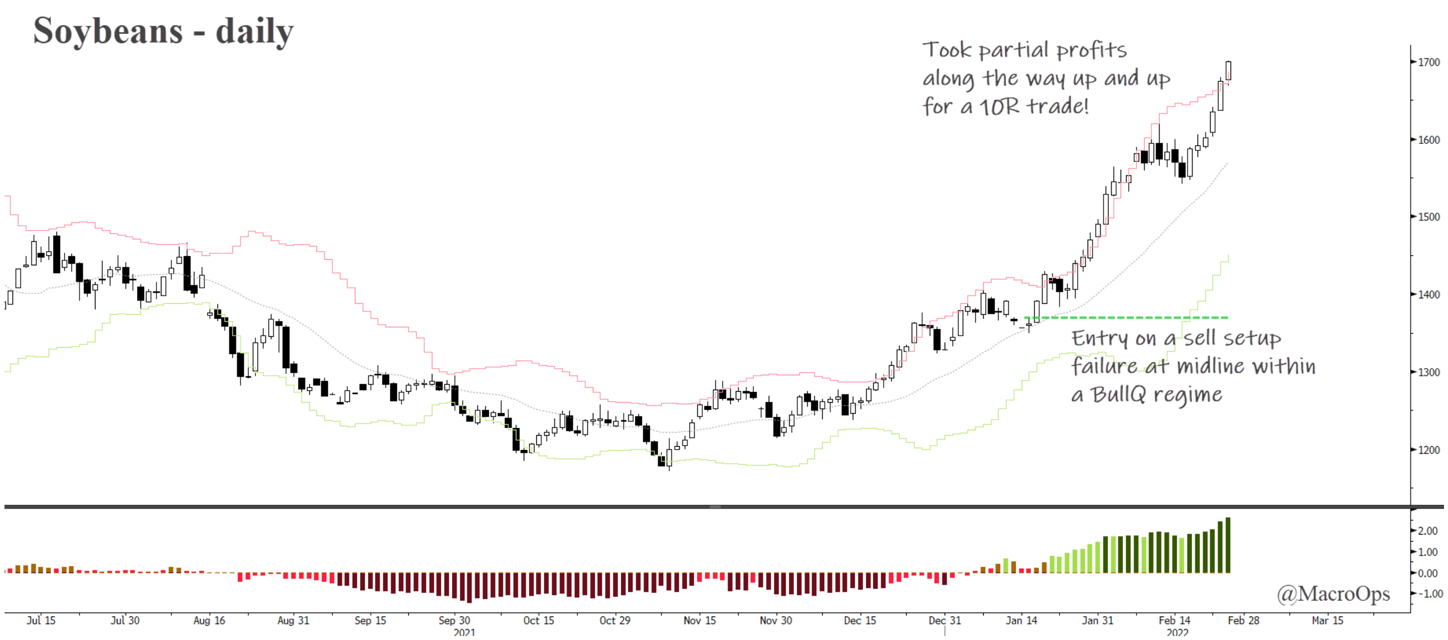
Plus, I typically don't like to buy the assets of a country when their currency is breaking down from a 7-year consolidation and on its way to new all-time lows (chart is USDRUB so up means the ruble is going down against USD).

If you've been buying Russian stocks here, hopefully, it's been in small size.



With that out of the way, let's turn to the commodity market which has been an ATM for us these last few months.

Our Soybean trade which we took full profits on the other week, gave us a 10R (R is the multiple of the amount risked, so for example, if we risked 1% on a trade then a 10R would = a 10% total return for the portfolio).



We're still in our long corn trade after adding to it 3 times since our entry in December. We're now running a 5-day moving average trailing stop on this position. The trade has returned 7R so far.

The full list of our current swing positions are as follows:

- Long Dec 23' Crude
- Long Mar 22' Corn (we'll be rolling this soon)
- Long May 22' Soybean Oil (we'll be rolling this soon)
- Long May 22' Wheat
- Long Mar 22' 10yr Note
- Long Dec 22' Natgas
- Short Nasdaq minis
- Short Russell 2k minis
- Short DAX minis

Softs have a tendency to go parabolic, hence why we're running 5dma trailing stops on those that are turning vertical. Ukraine is a big exporter of both wheat and corn, so I imagine that's fueling at least a bit of the wild moves we're seeing.

We also added to our short TSLA position yesterday. We'll be riding stops on this one fairly tight. Not looking to be TSLAQ martyrs… We're updating all of the above in the slack, as we execute.

There's ALWAYS a bull market somewhere. The past few months are a great example of why it pays to not pigeonhole yourself to just stocks if you're not constrained by professional mandates. Our swing trading in commodities is why we're up nearly 10% year-to-date while the market is down an equal amount.

More importantly, this will give us all the dry powder — not to mention the proper mental state — we'll need when the time comes to back up the truck on stocks, again. As it surely will in time.

Until then, let's enjoy the ride in softs…

Stay frosty and keep your head on a swivel!

Your Macro Operator,

Alex